

Message Text

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42

ACTION EB-07

INFO OCT-01 EUR-12 EA-07 IO-13 ISO-00 INRE-00 SSO-00

NSCE-00 USIE-00 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01

COME-00 DODE-00 FEAE-00 FPC-01 H-02 INR-07 INT-05

L-03 NSAE-00 NSC-05 OMB-01 PM-04 SAM-01 OES-06 SP-02

SS-15 STR-04 TRSE-00 ACDA-07 PA-01 PRS-01 ERDE-00

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O R 221619Z JUL 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC IMMEDIATE 0603

INFO AMEMBASSY OTTAWA

USMISSION EC BRUSSELS

AMEMBASSY TOKYO

AMEMBASSY STOCKHOLM

AMEMBASSY BERN

USMISSION OECD PARIS

AMEMBASSY BRUSSELS

USMISSION USUN NEW YORK

USMISSION GENEVA

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY THE HAGUE

AMEMBASSY ROME

AMEMBASSY PARIS

C O N F I D E N T I A L BONN 12367

E.O. 11652: GDS

TAGS: CIEC, GW, US

SUBJECT: FRG RESPONSE TO USG REPRESENTATIONS ON CIEC

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REF: (A) OECD PARIS 20937; (B) STATE 181094;

(C) EC BRUSSELS 7187

1. ECON COUNSEIIOR MET JULY 22 WITH FORMINISTRY OFFICIALS, AMBASSADOR ROBERT AND OFFICE DIRECTOR KRUSE, WHO COORDINATE FRG POIICIES FOR NORTH-SOUTH DIALOGUE, AND MADE PRESENTATION BASED ON REF B.

2. ROBERT EXPRESSED GENERAL AGREEMENT WITH USG POSITION, BUT HE SUGGESTED THAT USG CONCENTRATE ITS REPRESENTATIONS AT THIS STAGE ON CERTAIN G-8 COUNTRIES (SWEDEN "AND OTHERS") WHICH HE CHARACTERIZED AS ADVOCATES OF G-19 VIEWS. ROBERT ASCRIBED LAST WEEK'S IMPASSE AT CIEC TO NUMBER OF FACTORS: (1) G-19 DOES NOT WISH TO MAKE FURTHER CONCESSIONS PRIOR TO NON-ALIGNED SUMMIT AT COLOMBO NEXT MONTH; (2) SOME G-19 MEMBERS ARE HAVING SECOND THOUGHTS ABOUT THEIR ROLE IN CIEC AND ARE UNDER INTENSE PRESSURE FROM THEIR CONSTITUENCIES TO TAKE HARDER LINE; AND (3) G-19 RETAINS STRONG SUSPICION THAT G-8 DOES NOT SINCERELY INTEND MAKE FURTHER CONCESSIONS.

3. TURNING TO THE TWO ISSUES WHICH HAD PUT PREVIOUSLY AGREED COMMISSION WORK PROGRAMS ON ICE, ROBERT SAID THAT DEBT QUESTION IS BY FAR THE MORE SERIOUS BECAUSE OF DIVISIONS WITHIN G-8. BY CONTRAST, PURCHASING POWER DEMAND (WHICH HE SAW AS CODE WORD FOR INDEXATION) MEETS UNITED G-8 RESISTANCE AND THERE NO REASON TO EXPECT MUCH G-8 GIVE ON THIS POINT. SOLUTION HERE, IN ROBERT'S VIEW, IS CONTINUED, COORDINATED G-8 DIALOGUE WITH G-19 TO EXPLAIN HOW AND WHY INDEXATION SCHEMES ARE UNWORKABLE.

4. ON DEBT, ROBERT EXPIAINED THAT EC EXPERTS NEXT WEEK WILL REVIVE EARLIER PAPER, WHICH EC HAD SURFACED AT UNCTAD AND WITHDRAWN BECAUSE OF USG AND OTHER GROUP B OBJECTIONS, AS A BASIS FOR COMPROMISE BETWEEN G-8 AND G-19. UNTIL DEBT QUESTION IS RESOLVED, ROBERT SAID, CIEC WILL REMAIN ON DEAD CENTER. HE CITED WITH APPROVAL JOINT EC/US PROPOSAL ON DEBT AT LAST WEEK'S CIEC MEETING, AND HE HOPED WE WOULD

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CONTINUE CLOSE COORDINATION ON THIS PROBLEM.

5. IN LATER CONVERSATION, KRUSE REMARKED THAT THAT PART OF OUR REPRESENTATION WHICH IS DIRECTED AT G-19 CONTAINS NOTHING NEW AND WILL DO LITTLE TO OVERCOME G-19 DOUBTS AS TO OUR WILLINGNESS MAKE MEANINGFUL CONCESSIONS. HE FORESAW FURTHER "CRISES" IN CIEC AND STRONG POSSIBILITY THAT OPEC WILL GIVE THE SCREW ANOTHER

HARD TURN WITH MAJOR OIL PRICE HIKE IN JANUARY.
KRUSE ALSO REPEATED COMMON FRG REFRAIN THAT USG LESS
VULNERABLE THAN FRG AND HENCE LESS APPREHENSIVE ABOUT
POSSIBLE FAILURE OF CIEC.
CASH

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